

banks then existed in Rhode Island, of which thirty possessed the powers of the "bank process."¹¹

The peculiar feature of the New England bank circulation was the Suffolk system of redemption, which was established in order to protect sound banking currency from being driven out of circulation by the inferior currency of other States. The suspension of specie payments south and west of New England in 1814 resulted in the introduction of depreciated notes across the Connecticut border and drove the Connecticut bank-notes into private hoards or brought them to the banks for redemption in specie. The banks of Maine encountered a similar situation prior to the suspension of specie payments in 1837. They were forbidden by law to issue notes below \$5, with the object of keeping the currency saturated with coin, but this purpose was defeated by the circulation of the small notes of the banks of neighboring States. The banks of Boston found themselves, even before the close of the last century, under somewhat the same competition from the country banks of Massachusetts. The Boston banks at first undertook to send the country notes promptly home for redemption, but the banks protested against this policy. The Boston banks then refused to receive the country notes altogether. The result was the hoarding of "Boston money," which was sold at a small premium to persons having payments to make at the banks, while the channels of circulation were filled with the country notes, which were known as "foreign" or "current money."

Several attempts were made in Boston to establish a redemption office for sending notes home for redemption, but it was not until 1813 that a systematic method of clearing and redemption for bank-notes was put in operation by the New England Bank. The discount on the notes of "foreign" banks was larger than the actual expense of redemption justified, and the New England Bank gave notice that it would charge only the actual cost of sending foreign money home for redemption and obtaining the specie for it. The execution of their plan brought down